From: MSBAcaselaw@fastcase.com [mailto:MSBAcaselaw@fastcase.com]
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Subject: [msba-fedciv] - 28 U.S.C. §§ 2201 and 2202. Minnesota No - Fault Automobile Insurance Act. Coverage required by statute not omitted.

Minnesota Federal Civil Case Summary

Opinion Issued: Nov 06, 2020
Gov't Emps. Ins. Co. v. Knutson
No. 20-cv-00503-DWF-LIB (D. Minn. 11/6/20)
Donovan W. Frank, United States District Judge

In a fatal motor vehicle accident involving the Defendant Christina Knutson, the injured survivors and the decedents' estates commenced lawsuits against her for damages arising from the vehicle accident. The plaintiff insurance company moved to declare that it did not have a duty to defend or indemnify the Defendant Christina Knutson in those lawsuits pursuant to 28 U.S.C. §§ 2201, 2202. The plaintiff argued that the accidental vehicle did not constitute an owned auto, non-owned auto, or rental vehicle under its automobile insurance policy. The defendant asserted that the exclusion of liability coverage ran afoul of Minnesota law, and that the plaintiff was obligated to cover use of the accidental vehicle as a resident-relative. The parties cross-moved for summary judgment. The court granted the plaintiff's motion by holding that the operation of the plaintiff's exclusion did not contravene the Minnesota No-Fault Automobile Insurance Act nor omit coverage required by statute.

Analysis:

As articulated in In re Latterell, 801 N.W.2d at 921, "if the terms of the exclusion are unambiguous, [courts] then consider whether the exclusion omits coverage required by the No-Fault Act or contravenes the No-Fault Act." As set forth in In re Pepper, 813 N.W.2d at 926, the third-party insurance coverage under the No-Fault Act may follow the vehicle, not the insured, and the residual-liability coverage provisions in the "No-Fault Act refer to coverage in terms of the vehicle rather than the individual." As articulated in Pepper, 813 N.W.2d at 926, the No-Fault Act may permit insurers to limit liability coverage for third parties, at least in certain circumstances.

Excerpt:

Here, the terms of the exclusion are unambiguous. GEICO insures damages "arising out of the ownership, maintenance or use" of an owned auto, a non-owned auto, or a rental vehicle. (GEICO Policy at 24.) By operation of the definitions of owned auto, non-owned auto, and rental vehicle, GEICO excludes coverage for vehicles furnished for an insured's regular use not listed under the policy. Put more simply, because the 2005 Chevrolet Monte Carlo was not specifically listed in the GEICO policy, was not a rental vehicle to replace a specifically listed vehicle in the GEICO policy, and was not otherwise used in a temporary fashion, it is excluded from coverage. The parties do not dispute that GEICO's policy excludes resident-relatives like Christina Knutson from coverage if the vehicle they are driving is furnished for their regular use. The Court moves next to the question of whether this regular-use exclusion omits coverage required by the No-Fault Act or contravenes the No-Fault Act...The Widness court explained how the result in that case would be different if "a" was changed to "any." But the Widness court also explained the surrounding provisions of the No-Fault Act. Section 65B.48, subd. 1 requires the "owner of a motor vehicle . . . [to] maintain . . . a plan of reparation security . . . insuring against loss resulting from liability imposed . . . or injury . . . sustained by any person arising out of the ownership, maintenance, operation or use of the vehicle." And the very next sentence cross-references Minn. Stat. § 65B.49, subd. 3(2). This statute is unchanged from its discussion in Widness. Compare Minn. Stat. § 65B.48, subd. 1, with Widness, 635 N.W.2d at 519. Section 65B.49, subd. 3(1), requires that "[e]ach plan of reparation security shall also contain stated limits of liability, exclusive of interest and costs, with respect to each vehicle for which coverage is thereby granted . . . ." Again, this portion of the No-

Absent systemic change to the No-Fault Act, this Court will not conclude that the 2002 amendment, adopted with limited debate and discussion, to have upended the established understanding of third-party residual liability insurance coverage, especially where the Minnesota courts have continued deciding cases with that same understanding in the intervening 18 years…Granted, this Court is sympathetic to Defendants' arguments. Reading Minn. Stat. § 65B.49, subd. 3(2), in isolation appears to require an insurer to pay damages "arising out of the ownership, maintenance or use of any motor vehicle, including a motor vehicle permissively operated by an insured." But, again, this Court is obligated to apply the decisions of Minnesota's courts in interpreting Minnesota's law. Minn. Supply Co., 472 F.3d at 534. While the 2002 amendment appears on its face to drastically upend the entirety of Minnesota's third-party liability insurance from the vehicle, the Minnesota courts have not changed their understanding of third-party liability. The Minnesota Supreme Court and the Minnesota Court of Appeals have repeatedly affirmed that understanding of Minnesota's No-Fault Act, both before and after Widness and the 2002 amendment. Holding otherwise, as Defendants request, would mean this Court would have to overrule multiple Minnesota Supreme Court—Widness, Lobeck, and Toomey—and Minnesota Court of Appeals—Bauer—decisions, as well as District of Minnesota— Great West Cas. Co. v. Decker, 358 F.Supp.3d 835 (D. Minn. 2019)—and Eighth Circuit—Decker, 957 F.3d 910—decisions relying up on them. This dramatic change in interpretation of Minnesota's No-Fault Act cannot be squared with this Court's duty to interpret the statute as the Minnesota courts would…Finally, the Court notes that the No-Fault Act is supposed to help "relieve the severe economic distress of uncompensated victims." Minn. Stat. § 65B.42(1). This is not a case of uncompensated victims, but rather undercompensated victims. Defendants sought and received coverage under the insurance policy covering the 2005 Chevrolet Monte Carlo. Defendants now seek funds from GECIO to cover, at least in part, their remaining damages. This was not a situation contemplated by the No-Fault Act or Widness, nor was it the scenario the Minnesota legislature attempted to remedy with the 2002 amendment. This Court concludes that the operation of GEICO's exclusion does not contravene the Minnesota No-Fault Automobile Insurance Act nor omit coverage required by statute.